

WASHINGTON, DC—U.S. Rep. Peter DeFazio (OR-04) today sent a letter to the Federal Housing Finance Agency (FHFA) raising alarm that banks are refusing to honor their obligations to take back high loans that don't comply with federal standards. If swift action isn't taken, the taxpayers could be asked to pay for additional losses. Fannie Mae and Freddie Mac were created to promote home ownership by freeing up capital for banks to make more loans to individuals. In 2008 the taxpayers had to spend over \$100 billion to keep them financially viable when the housing market collapsed. The FHFA was subsequently created to oversee Fannie Mae and Freddie Mac.

Fannie Mae and Freddie Mac purchase 70 percent of new mortgages. When they purchase mortgages from lenders, the contracts are supposed to meet certain viability standards. When they don't meet those standards, the lending institutions are asked to buy them back. However, JP Morgan has succeeded in getting half of their repurchase demands rescinded. And Fannie Mae and Freddie Mac both have substantial amounts of outstanding repurchase requests. Oppenheimer & Co. estimates banks will be asked to repurchase an additional \$21 billion of home loans this year.

"If these lenders don't meet their repurchase obligations, taxpayers will be on the hook for billions in additional losses," DeFazio said. "It is high time that these large lending institutions own up to their reckless loans. The taxpayers are fed up with bailing out financial institutions that put profits before common sense."

DeFazio is asking the Federal Housing Finance Agency to publically post online the total value of loans lenders are being asked to repurchase because they do not meet viability underwriting standards. Additionally, he is asking FHFA to post repurchase loan demands being challenged by the lending institutions along with the demands rescinded by Fannie and Freddie.

"Since the taxpayers have been asked to invest a substantial amount of their hard-earned tax dollars to help stabilize Fannie and Freddie, they deserve some transparency and accountability in how those dollars are being used," DeFazio continued.

The full text of the letter is below:

Mr. Edward DeMarco, Director Federal Housing Finance Agency 1700 G St. NW Washington, D.C. 20552

Dear Mr. DeMarco,

After injecting over \$100 billion to keep Fannie Mae and Freddie Mac viable, taxpayers have bailout fatigue and do not support further expenditures. However, it appears that without swift action, the taxpayers are at risk of having to pay for additional losses. While I am encouraged that Fannie Mae and Freddie Mac have increased reviews of delinquent loans, it appears that many lending institutions refusing to honor their obligations to take back high risk loans that do not comply with federal standards. This is unacceptable and I urge you to take immediate action to address this matter.

As you know, when Fannie Mae and Freddie Mac purchase loan pools from lenders, the contracts require loans to meet certain underwriting standards. When they do not meet such standards, they ask the lending institutions to buy them back. Oppenheimer & Co. estimates that banks will be asked to repurchase \$21 billion of home loans this year.

I was alarmed to learn that according to Charlie Scharf, JPMorgan's head of retail banking, JPMorgan has succeeded in getting half of their repurchase demands rescinded. Equally troubling is the fact that as of March 31, Freddie Mac reported \$4.8 billion in outstanding repurchasing requests that had not been fulfilled by lenders -- 34 percent of these requests have been outstanding for 90 days or more. And according to the New York Times, Fannie Mae has \$1.8 billion in outstanding repurchasing requests from the first quarter in 2010. If these loans are not repurchased by lenders, taxpayers will be on the hook for billions in additional losses. It is time that the large lending institutions own up to their own reckless loans.

Since the taxpayers have been asked to invest a substantial amount of their hard-earned tax dollars to help stabilize Fannie Mae and Freddie Mac, they deserve some transparency in how their tax dollars are being used. I urge you to publically post online the total value of loans lenders are being asked to repurchase from Fannie Mae and Freddie Mac because they do not

meet underwriting standards. Additionally, I urge you to publically post repurchase loan demands being challenged by the lending institutions along with the demands rescinded by Fannie Mae and Freddie Mac.

Forcing banks to honor their obligations to repurchase problem loans serves as an important tool to ensure that faulty loans are not made in the first place and then later sold to Fannie Mae or Freddie Mac. Fannie Mae and Freddie Mac today purchase at least 70 percent of new mortgages giving them tremendous market power. There is no reason they should accept bad mortgages at the expense of the taxpayers.

Sincerely,

Peter DeFazio Member of Congress

cc: Michael Williams, CEO Fannie Mae

Charles E. Haldeman, CEO Freddie Mac